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**CITY OF CASCADE, IOWA**  
**INDEPENDENT AUDITOR'S REPORT**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**

**June 30, 2013**

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# CITY OF CASCADE

## OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Michael Henry	Mayor	Jan. 2014
Scott Soppe	Mayor Pro tem	Resigned Jan. 14, 2013
Steven Knepper	Mayor Pro tem	Jan. 2016
Russ Boffeli	Council Member	Jan. 2014
Robert Moriarity	Council Member	Jan. 2014
Bill Hosch	Council Member	
	(Appointed Feb. 11, 2013)	Jan. 2014
Pat Kearney	Council Member	Jan. 2016
Tim Long	City Administrator	Indefinite
Shelley Annis	City Clerk/Treasurer	Indefinite
William G. Blum	Attorney	Resigned Sep. 10, 2012
Doug Henry	Attorney	Indefinite

# Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

**STEVEN S. CLAUSEN, CPA**

124A Main • P.O. Box 359

Elkader, Iowa 52043

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cascade, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing the audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of

the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Cascade as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

### Other Matters

#### *Supplementary and other information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cascade's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on the June 30, 2012 and 2011 financial statements and a qualified opinion on the June 30, 2010 financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally

accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


The other information, Management's Discussion and Analysis and the Budgetary Comparison Information on pages 8 through 15 and 36 through 37, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 25, 2013 on our consideration of the City of Cascade's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Cascade's internal control over financial reporting and compliance.

Elkader, Iowa

October 25, 2013



Dietz, Donald & Company  
Certified Public Accountants  
FEIN 42-1172392

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# ***CITY OF CASCADE***

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Mayor: Mike Henry  
City Administrator:  
Tim Long  
City Clerk &  
Treasurer:  
Shelley Annis

320 1<sup>st</sup> Avenue West  
P.O. Box 400  
Cascade, IA 52033  
Phone 563-852-3114  
Fax: 563-852-7554  
cascadeclerk@netins.net

Council Members:  
Russ Boffeli  
Bill Hosch  
Pat Kearney  
Steve Knepper  
Bob Moriarity

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Cascade provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2013 FINANCIAL HIGHLIGHTS**

Receipts of the City's governmental activities increased 87.2%, or approximately \$ 2.563 million from fiscal 2012 to fiscal 2013. Bonds and note proceeds increased approximately \$ 2.334 million and property taxes (including TIF receipts) increased approximately \$ 93,000.

Disbursements of the City's governmental activities increased 140%, or approximately \$ 2.862 million in fiscal 2013 from fiscal 2012. Capital projects, public safety, and community and economic development disbursements increased approximately \$ 2.551 million, \$ 125,000, and \$ 116,000, respectively.

The City's total cash basis net position increased 30.0%, or approximately \$ 866,000, from June 30, 2012 to June 30, 2013. Of this amount, the cash basis net position of the governmental activities increased approximately \$ 722,000 and the cash basis net position of the business type activities increased approximately \$ 144,000. The discretely presented component unit (Cascade Municipal Utilities) cash basis net position increased 8.1%, or approximately \$ 183,000.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.



The Government-wide Financial Statements consist of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole, including the discretely presented component unit, and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds and the City's indebtedness.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and operational results of funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### **The City's Reporting Entity Presentation**

This annual report includes all activities for which the City of Cascade is fiscally responsible. These activities, defined as the City's reporting entity, are operated within a separate legal entity that is the primary government and another separate legal entity that is included as a component unit.

The primary government consists of one legal entity, the City of Cascade.

The component unit presentation consists of one legal entity, the Cascade Municipal Utilities.

## Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City, as a whole, better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position present the City's net position. Over time, increases and decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into three kinds of activities:

*Governmental Activities* include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

*Business Type Activities* include the waterworks, the sanitary sewer system and garbage collection. These activities are financed primarily by user charges.

*Discretely Presented Component Unit* consists of Cascade Municipal Utilities, a legally separate organization that has the potential to provide specific benefits or impose specific financial burdens on the City.

## Fund Financial Statements

The City has two kinds of funds:

*Governmental Funds* account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include (1) the General Fund, (2) the Special Revenue Funds, such as Urban Renewal Tax Increment, (3) the Debt Service Fund, and (4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

*Proprietary Funds* account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer, and garbage funds.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately \$ 2.007 million to approximately \$ 2.729 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charges for service	\$ 247	258
Operating grants and contributions	244	240
Capital grants and contributions	207	115
General receipts:		
Property tax	1,072	979
Other local taxes	258	252
Unrestricted investments earnings	18	7
Bond and note proceeds	3,380	1,046
Other general receipts	77	43
Total receipts	5,503	2,940
Disbursements:		
Public safety	543	419
Public works	330	342
Culture and recreation	157	198
Community and economic development	213	97
General government	219	205
Debt service	371	263
Capital projects	3,070	519
Total disbursements	4,903	2,043
Change in cash basis net position before transfers	600	897
Transfers, net	123	61
Change in cash basis net position	723	958
Cash basis net position beginning of year	2,006	1,048
Cash basis net position end of year	\$ 2,729	2,006

The City's total receipts for governmental activities increased 87.2% or approximately \$ 2.563 million. The total cost of all programs and services increased approximately \$ 2.862 million, or 140%. The increase in receipts was due primarily to receipt of approximately \$ 3.2 million from bond proceeds to fund a water improvement project.

The increase in disbursements was due primarily to an increase in capital projects spending of approximately \$ 2.551 million. These capital projects included resurfacing 1<sup>st</sup> Avenue and the Water System Improvement Project.

The City property tax rate remained unchanged for 2013. However, because of increased valuations, City property tax receipts, increased approximately \$ 93,000. Based on increases in the total assessed valuation, property tax receipts are budgeted to increase approximately \$ 21,000 next year.

The cost of all governmental activities this year was approximately \$ 4.903 million compared to approximately \$ 2.043 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 17 - 18, the amount taxpayers ultimately financed for these activities was only \$ 4.207 million because some of the cost was paid by those directly benefited from the programs (\$ 247,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$ 450,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in 2013 from approximately \$ 613,000 to approximately \$ 698,000. The City paid for the remaining "public benefit" portion of governmental activities (\$ 4.207 million) with taxes (some of which could only be used for certain programs) and with other receipts, such as interest and bond and note proceeds.

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Changes in Cash Basis Net Position of Business Type Activities  
(Expressed in Thousands)

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	<u>Year Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 322	284
Sewer	272	255
Garbage	128	125
General receipts:		
Unrestricted interest on investments	9	4
Bond proceeds	0	69
Other general receipts	2	1
	<hr/>	<hr/>
Total receipts	733	738

Disbursements:		
Water	215	163
Sewer	148	172
Garbage	<u>103</u>	<u>112</u>
Total disbursements	<u>466</u>	<u>447</u>
Change in cash basis net position before transfers	267	291
Transfers, net	<u>(123)</u>	<u>(61)</u>
Change in cash basis net position	144	230
Cash basis net position beginning of year	<u>877</u>	<u>647</u>
Cash basis net position end of year	<u>\$ 1,021</u>	<u>877</u>

The business type activities receipts for the fiscal year were approximately \$ 733,000 compared to approximately \$ 738,000 last year. The decrease was due primarily to receiving \$ 69,000 in bond proceeds in 2012. Cash basis net position increased approximately \$ 144,000 from 2012. Total disbursements for the fiscal year increased 4.3% or approximately \$ 19,000.

#### INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Cascade completed the year, its governmental funds reported a combined fund balance of \$ 2,728,631, an increase of \$ 721,976 from last year's total of \$ 2,006,655. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance increased \$ 191,527 from the prior year to \$ 1,456,362. The General Fund increase included note proceeds of \$ 400,000 to purchase a new ambulance and refinance the old ambulance note of \$ 220,000.

The Special Revenue, Urban Renewal Tax Increment Fund receipts was established to account for major urban renewal projects within the City. At the end of the fiscal year, the cash balance was \$ 369,706, an increase of \$ 198,369 from the previous year. Disbursements included \$ 69,768 for tax rebates and approximately \$ 125,000 on other construction projects in the TIF districts. Another \$ 157,789 was transferred to the Debt Service Fund for debt retirement and \$ 17,642 was transferred to the General Fund.

The Capital Projects Fund cash balance increased \$ 351,243 to \$ 902,563 during the fiscal year. Capital projects disbursements increased \$ 2,653,305 to \$ 3,070,245 in fiscal year 2013. Disbursements were primarily for the Water System Improvement Project which were funded by issuance of \$ 3.2 million of general obligation bonds.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise, Water Fund cash balance increased \$ 46,780 to \$ 727,390. However, net operating receipts decreased \$ 14,488, even though operating receipts increased \$ 38,135.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 28, 2013, and resulted in an increase in budgeted disbursements of \$ 95,137.

The City's receipts were \$ 269,238 less than budgeted. Because the City includes its component unit in the budget process, charges for service were \$ 266,509 less than budgeted, primarily related to Cascade Municipal Utilities.

The City's disbursements were \$ 1,341,004 less than budgeted, primarily due to capital projects disbursements being \$ 742,504 less than budgeted. In addition, business type activities disbursements were \$ 297,688 less than budgeted.

The City exceeded the amount budgeted in the general government function for the year ended June 30, 2013.

## DEBT SERVICE

At June 30, 2013, the City had \$ 4,838,143 in bonds and notes outstanding, as shown below.

<u>Outstanding Debt at Year End</u>		
<u>(Expressed in Thousands)</u>		
	<u>2013</u>	<u>2012</u>
General obligation notes	\$ 496	488
General obligation bonds	3,200	0
Urban renewal tax increment financing revenue notes	105	205
Revenue notes	82	101
Revenue bonds	<u>955</u>	<u>995</u>
Total	<u>\$ 4,838</u>	<u>1,789</u>

Debt increased as a result of issuing \$ 3,200,000 of general obligation bonds July 1, 2012.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issued to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and TIF debt of \$ 3,801,143 is below its constitutional limit of \$ 6.0 million.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City of Cascade's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates, and fees that will be charged for various City activities. One of these factors is the economy. Sales tax receipts increased \$ 6,586 in fiscal 2013, an increase of 2.6%. Taxable property valuation increased approximately \$ 2.528 million or 4.1%. Over the last 10 years, the City's population has increased 201 to 2,159 and that trend is expected to continue.

These indicators were taken into account when adopting the budget for fiscal year 2014. Amounts available for appropriation in the operating budget are approximately \$ 5.984 million, a decrease of 38.3% over the final 2013 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$ 2.328 million by the close of fiscal year 2014.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provided our citizens, taxpayers, customers, and creditors with a general overview of the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Shelley Annis, City Clerk; 320 1<sup>st</sup> Avenue West; Cascade, Iowa 52033-0400.

## BASIC FINANCIAL STATEMENTS



Exhibit A

CITY OF CASCADE  
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION  
As of and for the Year Ended June 30, 2013

Functions/Programs: Governmental activities:	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Primary Government Business Type Activities	Discretely Presented Component Unit
Public safety	\$ 542,882	98,100	25,112	-	(419,670)	-	-
Public works	330,323	63,872	206,759	-	(59,692)	-	-
Culture and recreation	157,292	38,934	11,288	-	(107,070)	-	-
Community and economic development	213,342	15,221	-	-	(198,121)	-	(198,121)
General government	219,344	26,133	500	-	(192,711)	-	(192,711)
Debt service	371,110	5,161	-	-	(365,949)	-	(365,949)
Capital projects	3,070,245	-	-	206,563	(2,863,682)	-	(2,863,682)
Total governmental activities	4,904,538	247,421	243,659	206,563	(4,206,895)	-	(4,206,895)
Business type activities:							
Water	215,418	321,807	-	-	-	106,399	106,399
Sewer	147,831	272,066	-	-	-	124,235	124,235
Garbage	102,573	127,974	-	-	-	25,401	25,401
Total business type activities	465,822	721,847	-	-	-	256,025	256,025
Total primary government Discretely presented component unit:	\$ 5,370,360	969,268	243,659	206,563	(4,206,895)	256,025	(3,950,870)
Cascade Municipal Utilities	\$ 2,820,713	2,834,629	-	-	-	-	13,916
General Receipts and Transfers:							
Property tax					521,631	-	521,631
Tax increment financing					550,307	-	550,307
Local option sales tax					258,214	-	258,214
Unrestricted interest on investments					18,258	8,736	26,994
Bond and note proceeds, net					3,380,000	-	3,380,000
Miscellaneous					51,783	2,275	54,058
Sale of capital assets					25,352	-	25,352
Transfers					123,326	(123,326)	-
Total general receipts and transfers					4,928,871	(112,315)	4,816,556
Change in cash basis net position					721,976	143,710	865,686
Cash basis net position beginning of year					2,006,655	877,142	2,883,797
Cash basis net position end of year					\$ 2,728,631	1,020,852	3,749,483
Cash Basis Net Position:							

(continued)

CITY OF CASCADE  
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION  
As of and for the Year Ended June 30, 2013

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business Type Activities	Total	
Cash Basis Net Position:				
Restricted:				
Nonexpendable:				
Utility deposits	\$ -	18,773	18,773	55,870
Expendable:				
Urban renewal purposes	369,706	-	369,706	-
Debt service	-	79,864	79,864	230,444
Water system improvements	902,563	-	902,563	-
Unrestricted	1,456,362	922,215	2,378,577	2,159,089
Total cash basis net position	\$ 2,728,631	1,020,852	3,749,483	2,445,403

See notes to financial statements.

CITY OF CASCADE  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
As of and for the Year Ended June 30, 2013

Exhibit B

	General	Special Revenue	Urban Renewal Tax Increment	Capital Projects	Nonmajor	Total
<b>Receipts:</b>						
Property tax	\$ 503,855	-	-	-	17,776	521,631
Tax increment financing	-	550,307	-	-	-	550,307
Other city tax	258,214	-	-	-	-	258,214
Licenses and permits	7,151	-	-	-	-	7,151
Use of money and property	17,473	1,696	-	11,400	-	30,569
Intergovernmental	51,274	-	-	206,563	206,759	464,596
Charges for service	172,214	-	-	-	-	172,214
Special assessments	-	1,966	-	-	5,161	7,127
Miscellaneous	64,502	13,235	-	7,336	934	86,027
<b>Total receipts</b>	<b>1,074,683</b>	<b>567,224</b>	<b>225,299</b>	<b>230,630</b>	<b>2,097,836</b>	
<b>Disbursements:</b>						
Operating:						
Public safety	542,882	-	-	-	-	542,882
Public works	102,640	-	-	-	227,683	330,323
Culture and recreation	157,292	-	-	-	-	157,292
Community and economic development	18,918	194,424	-	-	-	213,342
General government	201,479	-	-	-	17,865	219,344
Debt service	-	-	-	-	371,110	371,110
Capital projects	-	-	3,070,245	-	-	3,070,245
<b>Total disbursements</b>	<b>1,023,211</b>	<b>194,424</b>	<b>3,070,245</b>	<b>616,658</b>	<b>4,904,538</b>	
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>51,472</b>	<b>372,800</b>	<b>(2,844,946)</b>	<b>(386,028)</b>	<b>(2,806,702)</b>	
<b>Other financing sources (uses)</b>						
Bond and note proceeds	400,000	-	-	3,200,000	-	3,600,000
Interim financing repaid	(220,000)	-	-	-	-	(220,000)
Sale of capital assets	25,352	-	-	-	-	25,352
Operating transfers in	21,453	-	-	-	366,865	388,318
Operating transfers out	(86,750)	(174,431)	(3,811)	-	-	(264,992)
<b>Total other financing sources (uses)</b>	<b>140,055</b>	<b>(174,431)</b>	<b>3,196,189</b>	<b>366,865</b>	<b>3,528,678</b>	
<b>Change in cash balances</b>	<b>191,327</b>	<b>198,369</b>	<b>351,243</b>	<b>(19,163)</b>	<b>721,976</b>	
<b>Cash balances beginning of year</b>	<b>1,264,835</b>	<b>171,337</b>	<b>551,320</b>	<b>19,163</b>	<b>2,006,655</b>	
<b>Cash balances end of year</b>	<b>\$ 1,456,362</b>	<b>369,706</b>	<b>902,563</b>	<b>-</b>	<b>2,728,631</b>	

(continued)

Exhibit B  
(continued)

CITY OF CASCADE  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
As of and for the Year Ended June 30, 2013

	General	Special Revenue	Urban Renewal Tax Increment	Capital Projects	Nonmajor	Total
Cash Basis Fund Balances:						
Restricted for:	\$ -		369,706	-	-	369,706
Urban renewal purposes	-		-	902,563	-	902,563
Water system improvements	9,361		-	-	-	9,361
Committed for:	117,996		-	-	-	117,996
Police car	67,800		-	-	-	67,800
Fire truck	42,314		-	-	-	42,314
Riverview Park wall	40,914		-	-	-	40,914
Truck	31,140		-	-	-	31,140
Self-funded health insurance	6,047		-	-	-	6,047
Swimming pool	51,996		-	-	-	51,996
Cable	37,356		-	-	-	37,356
Parks/playground	576,365		-	-	-	576,365
Library	58,642		-	-	-	58,642
First Avenue bridge	2,082		-	-	-	2,082
Trail	3,154		-	-	-	3,154
Siren	411,195		-	-	-	411,195
Bicentennial						
Unassigned						
Total cash basis fund balances	\$ 1,456,362		369,706	902,563	-	2,728,631

See notes to financial statements.

CITY OF CASCADE  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS  
As of and for the Year Ended June 30, 2013

	Enterprise Funds		
	Water	Nonmajor	Total
Operating receipts:			
Charges for service	\$ 321,807	400,040	721,847
Operating disbursements:			
Business type activities	215,418	250,404	465,822
Excess of operating receipts over disbursements	106,389	149,636	256,025
Non-operating receipts (disbursements)			
Interest on investments	6,106	2,630	8,736
Water deposits	6,220	-	6,220
Water deposits refunded	(6,010)	-	(6,010)
Miscellaneous	1,163	902	2,065
Net non-operating receipts	7,479	3,532	11,011
Excess of receipts over disbursements	113,868	153,168	267,036
Other financing uses:			
Operating transfers out	(67,088)	(56,238)	(123,326)
Net change in cash balances	46,780	96,930	143,710
Cash balances beginning of year	680,610	196,532	877,142
Cash balances end of year	\$ 727,390	293,462	1,020,852
Cash Basis Fund Balances:			
Restricted:			
Nonexpendable:			
Utility deposits	\$ 18,773	-	18,773
Expendable:			
Debt service	71,859	8,005	79,864
Unrestricted	636,758	285,457	922,215
Total cash basis fund balances	\$ 727,390	293,462	1,020,852

See notes to financial statements.

CITY OF CASCADE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

**1) Summary of Significant Accounting Policies**

The City of Cascade is a political subdivision of the State of Iowa located in Dubuque and Jones Counties. It was first incorporated in 1858 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and garbage utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Cascade has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has one component unit which meet the Governmental Accounting Standards Board criteria.

Discretely presented component units are separate legal entities that meet the component unit criteria but do not meet the criteria for blending. The component unit that is discretely presented in the City's report is presented below:

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>
Cascade Municipal Utilities (CMU)	Created to finance, develop and operate the Municipal Utilities which provide the gas and electric services to the City. The CMU governing body is composed of three members appointed by the City Council.

The Utilities issues a publicly available audited financial report that includes financial statements and required supplementary information. The report may be obtained by writing to: Cascade Municipal Utilities; 320 1<sup>st</sup> Avenue West, PO Box 400; Cascade, Iowa 52033-0400.

### Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Dubuque and Jones County Assessor's Conference Boards, Dubuque and Jones County Emergency Management Commissions, and Dubuque and Jones County Joint E911 Service Boards.

### B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position (previously referred to as net assets) reports information on all the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service. Activity between the primary government (the City) and the discretely presented component unit (Cascade Municipal Utilities) are reported as if they were external transactions and are classified separately from internal activities within the primary government.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

*Non-expendable restricted net position* is subject to externally imposed stipulations which require them to be maintained permanently by the City, including customer utility deposits.

*Expendable restricted net position* results when constraints placed on the use of cash balances is either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest on investments restricted

to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

The Special Revenue, Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Capital Projects Fund is used to account for major construction and improvement projects in the City.

The City reports the following major proprietary fund:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

#### C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.



When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

#### D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

*Nonspendable* - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

*Restricted* - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation

*Committed* - Amounts which can be used only for specific purposes determined pursuant to constraints imposed by the City Council through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

*Unassigned* - All amounts not included in other spendable classifications.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the general government function.

### **2) Cash and Pooled Investments**

The City's and Utilities' deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City and Utilities are authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council or Utility Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investments trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Account Standards Board Statement No. 3. However, the Utilities had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$ 979 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest Rate Risk - The City's and Utilities' investment policies limit the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City and Utilities.

Credit Risk - The Utilities' investment in the Iowa Public Agency Investment Trust is unrated.

### 3) Notes Payable

Annual debt service requirements to maturity for general obligation notes, general obligation bonds and urban renewal tax increment financing revenue notes and revenue bonds and notes of the City are as follows.

Year Ending June 30,	General Obligation Bonds and Notes		Urban Renewal Tax Increment Financing Revenue Notes		Revenue Bonds and Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 257,160	64,795	105,000	4,200	60,000	24,510
2015	397,323	55,871	0	0	60,000	23,810
2016	412,160	50,427	0	0	66,000	23,360
2017	416,500	44,716	0	0	66,000	23,990
2018	421,500	39,220	0	0	45,000	22,685
2019-2023	1,791,500	87,898	0	0	230,000	100,510
2024-2028	0	0	0	0	265,000	68,090
2029-2032	0	0	0	0	245,000	21,960
Total	\$ 3,696,143	342,927	105,000	4,200	1,037,000	308,915

Year Ending June 30,	Total	
	Principal	Interest
2014	\$ 422,160	93,505
2015	457,323	79,681
2016	478,160	73,787
2017	482,500	68,706
2018	466,500	61,905
2019-2023	2,021,500	188,408
2024-2028	265,000	68,090
2029-2032	245,000	21,960
Total	<u>\$ 4,838,143</u>	<u>656,042</u>

#### Urban Renewal Tax Increment Financing Notes

The City issued \$ 645,000 of urban renewal tax increment financing (TIF) revenue notes in May, 2007 for the purpose of defraying a portion of the costs of various construction and refurbishing projects within the urban renewal district. The notes are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to provide 100% of the debt service requirements over the life of the notes. The proceeds of the urban renewal tax increment financing notes shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The notes are not a general obligation of the City. However the debt is subject to the constitutional debt limit of the City. Total principal and interest remaining on the notes is \$ 109,200, payable through June, 2014. For the current year, principal and interest paid and total TIF receipts were \$ 108,100 and \$ 550,307, respectively.

#### Sewer Revenue Notes

On February 17, 2010, the City entered into a State Revolving loan and disbursement agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. (Trustee) for the issuance of \$ 137,000 of sewer revenue notes with interest at 3% per annum. The notes were issued pursuant to the provisions of Section 384.24A and 384.83 of the Code of Iowa for the purpose of paying the cost of improvements to the Polk Street lift station.

The City had pledged future sewer customer receipts, net of specified operating disbursements, to repay the \$ 137,000 of sewer revenue notes issued on February 17, 2010, with interest at 3% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. Annual

principal and interest payments on the notes are expected to require less than 33% of net receipts. For the current year, principal and interest paid and total customer net receipts were \$ 22,030 and \$ 124,235, respectively.

The resolution providing for the issuance of the sewer revenue notes includes the following provisions:

- a) The notes will only be redeemed from the future earnings of the Enterprise, Sewer Fund and the note holders hold a lien on the future earnings of the fund.
- b) The rents, rates and other charges shall be at least sufficient to meet the operation and maintenance expenses of the sewer system and to produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the revenue notes.

#### Water Revenue Bonds

On June 13, 2012, the City sold \$ 995,000 of water revenue bonds. The resolution providing for the issuance of the revenue bonds includes the following provisions:

- a) The bond will only be redeemed from the future earnings of the Enterprise, Water Fund and the bond holders hold a lien on the future earnings of the fund. The bonds are callable June 1, 2019.
- b) Net operating revenues are to equal 125% of the average amount of annual installments of principal and interest on all of the bonds and any other parity obligations outstanding from time to time, as the same becomes due.
- c) Sufficient monthly transfers shall be made to a "Water Revenue Sinking Fund" for the purpose of making the bond principal and interest payments when due.
- d) Additionally, \$ 68,810 is to be set aside from the bond proceeds to create a Principal and Interest Reserve Fund. These funds are set aside for the purpose of making principal and interest payments when funds are not sufficient in the sinking fund.

Annual debt service requirement to maturity for revenue notes of the Cascade Municipal Utilities are as follows:

Year Ending June 30,	<u>Electric Revenue Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 135,000	59,903
2015	140,000	57,540
2016	140,000	54,740
2017	145,000	51,660
2018	145,000	47,962
2019-2023	805,000	166,370
2024-2025	370,000	22,780
Total	<u>\$ 1,880,000</u>	<u>460,955</u>

The resolution providing for the issuance of the revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the electric utility and the note holders hold a lien on the future earnings of the utilities. The notes are callable June 1, 2017, at par.
- b) Sufficient monthly transfers shall be made to an electric revenue note sinking account for the purpose of making the note principal and interest payments when due.
- c) Additionally, \$ 227,500 has been set aside from the note proceeds to create a principal and interest reserve account. These funds are set aside for the purpose of making principal and interest payments when funds are not sufficient in the sinking account.

#### **4) Pension and Retirement Benefits**

The City and Utilities contribute to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to: IPERS; P.O. Box 9117; Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the City and Utilities are required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state

statute. The City's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$ 31,825, \$ 32,279 and \$ 30,495, respectively. The Utilities' contribution to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$ 25,093, \$ 23,532 and \$ 19,168, respectively. The City's and Utilities' contributions were equal to the required contributions for each year.

## **5) Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and spouses. There are 8 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

The Utilities operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 6 active members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City and the Utilities.

The City and the Utilities finance the retirement benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$ 351 for single coverage and \$ 797 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2013, the City contributed \$ 55,007 and plan members contributed \$ 7,654. The most recent active member monthly premiums for the Utilities and plan members are \$ 313 for single coverage and \$ 710 for family coverage. For the year ended June 30, 2013, the Utilities contributed \$ 33,997 and plan members contributed \$ 5,623.

## **6) Compensated Absences**

The City and Utility employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death.

These accumulations are not recognized as disbursements until used or paid. The City's and Utilities' approximate liability for earned compensated absences payable to

employees at June 30, 2013, are as follows:

<u>Type of Benefit</u>	<u>City Amount</u>	<u>Utilities Amount</u>
Vacation	<u>\$ 16,000</u>	<u>\$ 14,000</u>

These liabilities have been computed based on rates of pay in effect at June 30, 2013.

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## 7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 are as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Urban Renewal Tax Increment	\$ 17,642
	Capital Projects	<u>3,811</u>
		<u>21,453</u>
Special Revenue:		
Road Use Tax	General	<u>896</u>
Employee Benefits	General	<u>20</u>
Debt Service	General	85,834
	Special Revenue:	
	Urban Renewal Tax Increment	156,789
	Enterprise:	
	Water	67,088
	Sewer	<u>56,238</u>
		<u>365,949</u>
Total		<u>\$ 388,318</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

## 8) Related Party Transactions

The City paid the Utilities \$ 101,981 for gas, electric and collection service for the fiscal year ended June 30, 2013.

The City received \$ 5,218 for shared supplies, repairs and copier from the Utilities for the fiscal year ended June 30, 2013.

## **9) Risk Management**

The City and Utilities are exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City and Utilities assume liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks did not exceed commercial insurance in any of the past three fiscal years.

## **10) Developer Agreements**

The City has entered into five development agreements to assist various urban renewal projects.

With the first agreement the City has agreed to rebate 95% of the incremental tax paid by the developer in exchange for construction of an assisted living facility by the developer on land located within the Cascade Urban Renewal Area. The incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa will be rebated for a period of five years beginning December 1, 2008 and continuing through and including June 1, 2013, or until such earlier date upon which payments equal to \$ 300,000 have been made. The payments shall not constitute a general obligation of the City, but shall be made solely and only from incremental property taxes received by the City from the Dubuque County Treasurer which are attributable to the Property. During the year ended June 30, 2013, the City rebated \$ 46,190 of incremental tax under this agreement.

With the second agreement the City has agreed to rebate 70% of the incremental tax paid by the developer, in exchange for construction and operating of a grocery store by the developer on land within the Cascade Urban Revenue Area. The incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa will be rebated for a period of ten years beginning December 1, 2011 and continuing through and including June 1, 2021, or until such earlier date upon which payments equal to \$ 300,000 have been made. The payments shall not constitute a general obligation of the City and shall be subject to annual appropriation by the City Council. The City shall also provide the developer with a five-year, \$ 200,000 forgivable loan at zero percent interest to cover development and construction expenses with building the new grocery store. Beginning January 1, 2010, for each month of operation the developer completes, \$ 3,333 shall be forgiven by the City. If the developer ceases to own and operate said grocery store at any point during the five-year period, the unforgiven balance shall be immediately due and payable. At June 30, 2013, the unforgiven balance of the loan was \$ 60,000. During the year ended June 30, 2013, the City rebated \$ 20,908 under this agreement. The maximum remaining balance at June 30, 2013 was \$ 253,203.



With the third agreement the City has lent \$ 50,000 in October, 2010 in connection with the remodeling of a commercial building to be used as a chiropractic clinic. The note is payable in monthly installments of \$ 416.67 over 10 years with no interest. The balance at June 30, 2013 is \$ 36,666.

With the fourth agreement the City has agreed to rebate 50% of the incremental tax paid by the developer in exchange for construction of a restaurant by the developer on land located within the Cascade Urban Renewal Area. The incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa will be rebated for a period of six years beginning December 1, 2013 and continuing through and including June 1, 2019, or until such earlier date upon which payments equal to \$ 20,000 have been made. The payments shall not constitute a general obligation of the City and shall be subject to annual appropriation by the City Council. During the year ended June 30, 2013, the City rebated \$ 1,870 under this agreement. The maximum remaining balance at June 30, 2013 was \$ 18,130.

With the fifth agreement the City has agreed to rebate 50% of the incremental tax paid by the developer in exchange for construction of a corporate office, gas station and convenience store on land located within the Cascade Urban Renewal Area and creation of 18 employment positions by the developer. The incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa will be rebated for a period of ten years beginning with December 1, 2013 and continuing through and including June 1, 2023, or until such earlier date upon which payments equal to \$ 135,000 have been made. The payments shall not constitute a general obligation of the City and shall be subject to annual appropriation by the City Council.

## **11) Commitments**

At June 30, 2013, the City had entered into four construction contracts totaling \$ 2,552,935 for water system improvements. Disbursements under these contracts totaled \$ 1,435,048, leaving a balance of \$ 1,117,887 at June 30, 2013. The Capital Projects Fund has a balance of \$ 902,563 restricted for use on this project.

In addition, the City has entered into three construction contracts totaling \$ 1,185,064 for improvements of 1<sup>st</sup> Avenue at June 30, 2013. Disbursements under these contracts totaled \$ 1,124,289 leaving a balance of \$60,775 at June 30, 2013.

The City is leasing the building housing the city ambulance service at a monthly amount of \$ 500. Total rents under this lease were \$ 6,000 for the fiscal year ended June 30, 2013. Although the lease expired at June 30, 2012 and has not been renewed, the City and lessor have continued the arrangement using the original lease terms.

### **13) Concentration of Credit Risk**

The Cascade Municipal Utilities grants credit to its customers, all of whom are located in the municipal service area.

## OTHER INFORMATION

CITY OF CASCADE  
BUDGETARY COMPARISON SCHEDULE  
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES-  
BUDGET AND ACTUAL (CASH BASIS)-ALL GOVERNMENTAL FUNDS, PROPRIETARY FUNDS  
AND COMPONENT UNIT  
OTHER INFORMATION  
Year Ended June 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Discretely Presented Component Unit	Total	Budgeted Amounts		Final to Total Variance
					Original	Final	
<b>Receipts:</b>							
Property tax	\$ 521,631	-	-	521,631	514,578	514,578	7,053
Tax increment financing	550,307	-	-	550,307	576,258	576,258	(25,951)
Other city tax	258,214	-	-	258,214	234,600	234,600	23,614
Licenses and permits	7,151	-	-	7,151	7,880	7,880	(729)
Use of money and property	30,569	8,736	20,006	59,311	39,471	39,471	19,840
Intergovernmental	464,596	-	-	464,596	979,314	713,596	(249,000)
Charges for service	172,214	721,847	2,834,629	3,728,690	3,995,199	3,995,199	(266,509)
Special assessments	7,127	-	-	7,127	4,113	4,113	3,014
Miscellaneous	86,027	8,285	149,118	243,430	24,000	24,000	219,430
<b>Total receipts</b>	<b>2,097,836</b>	<b>738,868</b>	<b>3,003,753</b>	<b>5,840,457</b>	<b>6,375,413</b>	<b>6,109,695</b>	<b>(269,238)</b>
<b>Disbursements:</b>							
Public safety	542,882	-	-	542,882	466,522	694,542	151,660
Public works	330,323	-	-	330,323	362,615	362,615	32,292
Culture and recreation	157,292	-	-	157,292	282,869	282,869	125,577
Community and economic development	213,342	-	-	213,342	214,813	214,813	1,471
General government	219,344	-	-	219,344	209,144	209,144	(10,200)
Debt service	371,110	-	-	371,110	255,107	371,122	12
Capital projects	3,070,245	-	-	3,070,245	4,061,647	3,812,749	742,504
Business type activities	-	471,832	2,820,713	3,292,545	3,590,233	3,590,233	297,688
<b>Total disbursements</b>	<b>4,904,538</b>	<b>471,832</b>	<b>2,820,713</b>	<b>8,197,083</b>	<b>9,442,950</b>	<b>9,538,087</b>	<b>1,341,004</b>
Excess (deficiency) of receipts over (under) disbursements	(2,806,702)	267,036	183,040	(2,356,626)	(3,067,537)	(3,428,392)	1,071,766
Other financing sources (uses), net	3,528,678	(123,326)	-	3,405,352	3,954,868	3,587,868	(182,516)
Excess of receipts and other financing sources over disbursements and other financing uses	721,976	143,710	183,040	1,048,726	887,331	159,476	889,250
Balances beginning of year	2,006,055	877,142	2,262,363	5,146,160	3,974,758	3,974,758	1,171,402
Balances end of year	\$ 2,728,631	\$ 1,020,852	\$ 2,445,403	\$ 6,194,886	\$ 4,862,089	\$ 4,134,234	\$ 2,060,652

See accompanying independent auditor's report and notes to other information-budgetary reporting.

## CITY OF CASCADE

### Notes to Other Information - Budgetary Reporting

June 30, 2013

The budgetary comparison is presented as Other Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. The City's budget includes its component unit although the component unit is not included in the fund financial statements.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. The nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

During the year ended June 30, 2013, one budget amendment increased budgeted disbursements by \$ 95,137. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amount budgeted in the general government function.

## SUPPLEMENTARY INFORMATION

CITY OF CASCADE  
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
 AND CHANGES IN CASH BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 As of and for the Year Ended June 30, 2013

	<u>Special Revenue</u>			
	Road Use Tax	Employee Benefits	Debt Service	Total
Receipts:				
Property tax	\$ -	17,776	-	17,776
Intergovernmental	206,759	-	-	206,759
Special assessments	-	-	5,161	5,161
Miscellaneous	934	-	-	934
Total receipts	207,693	17,776	5,161	230,630
Disbursements:				
Operating:				
Public works	227,683	-	-	227,683
General government	-	17,865	-	17,865
Debt service	-	-	371,110	371,110
Total disbursements	227,683	17,865	371,110	616,658
Deficiency of receipts under disbursements	(19,990)	(89)	(365,949)	(386,028)
Other financing sources:				
Operating transfers in	896	20	365,949	366,865
Deficiency of receipts and other financing sources under disbursements	(19,094)	(69)	-	(19,163)
Cash balances beginning of year	19,094	69	-	19,163
Cash balances end of year	\$ -	-	-	-

See accompanying independent auditor's report.

CITY OF CASCADE  
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
 AND CHANGES IN CASH BALANCES  
 NONMAJOR PROPRIETARY FUNDS

	Enterprise		
	Sewer	Garbage	Total
Operating receipts:			
Charges for service	\$ 272,066	127,974	400,040
Operating disbursements:			
Business type activities	147,831	102,573	250,404
Excess of operating receipts over operating disbursements	124,235	25,401	149,636
Non-operating receipts			
Interest on investments	871	1,759	2,630
Miscellaneous	426	476	902
Total non-operating receipts	1,297	2,235	3,532
Excess of receipts over disbursements	125,532	27,636	153,168
Other financing uses:			
Operating transfers out	(56,238)	-	(56,238)
Net change in cash balances	69,294	27,636	96,930
Cash balances beginning of year	52,954	143,578	196,532
Cash balances end of year	\$ 122,248	171,214	293,462
Cash Basis Fund Balances:			
Restricted:			
Expendable:			
Debt service	\$ 8,005	-	8,005
Unrestricted	114,243	171,214	285,457
Total cash basis fund balances	\$ 122,248	171,214	293,462

See accompanying independent auditor's report.



CITY OF CASCADE  
SCHEDULE OF INDEBTEDNESS  
Year Ended June 30, 2013

Schedule 3

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
<b>Primary Government:</b>								
<b>General obligation notes:</b>								
Corporate purpose	Oct 1, 2001	4.80%	\$ 800,000	90,000	-	90,000	-	4,320
Street improvement	Dec 20, 2006	4.95	156,600	62,640	-	15,660	46,980	3,103
Street improvement	Nov 11, 2009	3.95	165,000	115,500	-	16,500	99,000	4,562
Ambulance acquisition	Nov 1, 2010	2.45	220,000	220,000	-	220,000	-	4,598
Ambulance acquisition	Oct 31, 2012	2.21	400,000	-	400,000	49,837	350,163	-
<b>Total</b>				<u>\$ 488,140</u>	<u>400,000</u>	<u>391,997</u>	<u>496,143</u>	<u>16,583</u>
<b>General obligation bonds:</b>								
Corporate purpose	Jul 1, 2012	1.00-2.00%	\$ 3,200,000	-	3,200,000	-	3,200,000	41,773
<b>Urban renewal tax increment financing (TIF) revenue notes</b>								
	May 1, 2007	3.90-4.00%	\$ 645,000	205,000	-	100,000	105,000	8,100
<b>Revenue notes:</b>								
Polk Street Lift Station	Feb 17, 2010	3.00%	\$ 137,000	101,000	-	19,000	82,000	3,030
<b>Revenue bonds:</b>								
Water	Jun 1, 2012	0.75-3.60%	\$ 995,000	995,000	-	40,000	955,000	24,810
<b>Discretely Presented Component Unit:</b>								
Electric	Jan 27, 2011	1.40-4.10%	\$ 2,275,000	2,015,000	-	135,000	1,880,000	61,793

See accompanying independent auditor's report.

CITY OF CASCADE  
BOND AND NOTE MATURITIES  
June 30, 2013

Schedule 4

Year Ending June 30,	Primary Government					
	General Obligation Notes			General Obligation Bonds		
	Street Improvement Issued Dec 20, 2006	Street Improvement Issued Nov 11, 2009	Ambulance Acquisition Issued Oct 31, 2012	Corporate Purpose Issued Jul 1, 2012		
	Interest Rates	Interest Rates	Interest Rates	Interest Rates	Amount	
	Amount	Amount	Amount	Amount	Total	
2014	4.95% \$ 15,660	3.95% \$ 16,500	2.21% 30,163	1.00 \$ 225,000	32,160	
2015	4.95 15,660	3.95 16,500	2.21 30,163	1.00 335,000	62,323	
2016	4.95 15,660	3.95 16,500	2.21 40,000	1.00 340,000	72,160	
2017	-	3.95 16,500	2.21 40,000	1.10 360,000	56,500	
2018	-	3.95 16,500	2.21 40,000	1.30 365,000	56,500	
2019	-	3.95 16,500	2.21 40,000	1.50 370,000	56,500	
2020	-	-	2.21 40,000	1.70 395,000	40,000	
2021	-	-	2.21 40,000	1.85 400,000	40,000	
2022	-	-	2.21 40,000	2.00 410,000	40,000	
2023	-	-	2.21 40,000	-	40,000	
Total	\$ 46,980	\$ 99,000	\$ 350,163	\$ 3,200,000	496,143	
Primary Government						
Year Ending June 30,	Urban Renewal Tax Increment Financing (TIF) Revenue Notes Issued May 1, 2009		Revenue Notes Polk Street Lift Station Issued Feb 17, 2010		Revenue Bonds Water Issued Jun 1, 2012	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
	Amount	Amount	Amount	Amount	Amount	Amount
2014	4.00% \$ 105,000	3.00% \$ 20,000	0.75% \$ 40,000	1.75% \$ 135,000	2.00 140,000	
2015	-	3.00 20,000	1.00 40,000	2.00 140,000	2.20 140,000	
2016	-	3.00 21,000	1.00 45,000	2.20 145,000	2.55 145,000	
2017	-	3.00 21,000	1.50 45,000	2.90 145,000	3.15 150,000	
2018	-	-	2.00 45,000	3.40 155,000	3.60 160,000	
2019	-	-	2.00 45,000	3.60 165,000	3.75 175,000	
2020	-	-	2.40 45,000	3.90 175,000	4.00 180,000	
2021	-	-	2.40 45,000	4.10 190,000	-	
2022	-	-	2.80 50,000	-	-	
2023	-	-	2.80 50,000	-	-	
2024	-	-	3.00 50,000	-	-	
2025	-	-	3.00 55,000	-	-	
2026	-	-	3.20 55,000	-	-	
2027	-	-	3.20 55,000	-	-	
2028	-	-	3.20 55,000	-	-	
2029	-	-	3.40 60,000	-	-	
2030	-	-	3.40 60,000	-	-	
2031	-	-	3.60 60,000	-	-	
2032	-	-	3.60 65,000	-	-	
Total	\$ 105,000	\$ 82,000	\$ 955,000	\$ 1,890,000	-	
Discretely Presented Component Unit						
Revenue Notes Electric Issued Jan 27, 2011						
Year Ending June 30,	Interest Rates	Amount				
2014	1.75%	\$ 135,000				
2015	2.00	140,000				
2016	2.20	140,000				
2017	2.55	145,000				
2018	2.90	145,000				
2019	3.15	150,000				
2020	3.40	155,000				
2021	3.60	160,000				
2022	3.75	165,000				
2023	3.90	175,000				
2024	4.00	180,000				
2025	4.10	190,000				
2026	-	-				
2027	-	-				
2028	-	-				
2029	-	-				
2030	-	-				
2031	-	-				
2032	-	-				
Total	-	-				

See accompanying independent auditor's report.

CITY OF CASCADE  
 SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION-  
 ALL GOVERNMENTAL FUNDS  
 FOR THE LAST FOUR YEARS

	2013	2012	2011	2010
Receipts:				
Property tax	\$ 521,631	475,560	454,211	444,562
Tax increment financing	550,307	503,479	496,139	432,131
Other city tax	258,214	251,628	233,362	240,517
Licenses and permits	7,151	7,008	7,933	7,226
Use of money and property	30,569	7,306	24,625	26,638
Intergovernmental	464,596	391,434	634,808	211,296
Charges for service	172,214	198,044	164,045	92,195
Special assessments	7,127	14,962	8,482	46,354
Miscellaneous	86,027	29,643	63,696	25,234
Total	<u>\$ 2,097,836</u>	<u>1,879,064</u>	<u>2,087,301</u>	<u>1,526,153</u>
Disbursements:				
Operating:				
Public safety	\$ 542,882	417,858	356,283	273,074
Public works	330,323	342,369	330,388	418,696
Culture and recreation	157,292	198,736	163,113	176,266
Community and economic development	213,342	96,861	116,282	312,345
General government	219,344	204,786	186,458	198,764
Debt service	371,110	263,201	261,384	338,932
Capital projects	3,070,245	519,150	859,861	205,124
Total	<u>\$ 4,904,538</u>	<u>2,042,961</u>	<u>2,273,769</u>	<u>1,923,201</u>

See accompanying independent auditor's report.

# Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

**STEVEN S. CLAUSEN, CPA**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cascade, Iowa as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 25, 2013. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Cascade's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Cascade's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Cascade's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Cascade's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### City of Cascade's Responses to Findings

The City of Cascade's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City of Cascade's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.


#### Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Cascade during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Elkader, Iowa

October 25, 2013

  
Dietz, Donald & Company  
Certified Public Accountants  
FEIN 42-1172392

CITY OF CASCADE  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2013

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses were identified

INSTANCES OF NON-COMPLIANCE

No matters were noted.

CITY OF CASCADE  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2013

Part II: Other Findings Related to Statutory Reporting:

- II-A-13 Certified Budget - Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the general government function. Chapter 384.20 of the Code of Iowa states in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Responses - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

- II-B-13 Questionable Disbursements - We noted no disbursements for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from funds as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-13 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-13 Business Transactions - No business transactions between City and City officials or employees were noted.
- II-E-13 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-13 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-13 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.



CITY OF CASCADE  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2013

II-H-13 Revenue Notes - No instances of noncompliance with the revenue notes resolutions were noted.

II-I-13 Records of Account - Ambulance receipts are collected by a third party and later transferred to the City by the agent. This account is not included in the City's records. At June 30, 2013, this account had a balance of \$ 8,772. Chapter 384.20 of the Code of Iowa states in part that "a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose."

Recommendation - For better accountability, financial and budgetary control, the financial activity and balances of the ambulance should be recorded in the City's records.

Response - We will determine the best way to do this.

Conclusion - Response accepted.

II-J-13 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check for its bank accounts.

Recommendation - The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

Response - We will ask the bank to do this.

Conclusion - Response accepted.